

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01
XMB-04 OES-06 MMO-04 /108 W
-----080544Z 104517 /21

R 071523Z APR 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3686

UNCLAS CAIRO 5946

E.O. 11652: N/A
TAGS: ETRD
SUBJ: GSP: FIRST YEAR REVIEW

REF: STATE 067507

1. FIRST-YEAR REVIEW OF GSP BENEFITS FOR EGYPT REVEAL
FAVORABLE UPWARD TREND FOR EGYPTIAN EXPORTS, ALTHOUGH ACTUAL
VALUES ARE STILL VERY SMALL. TOTAL TRADE IN GSP CATERGORIES
AMOUNTED TO JUST OVER \$2 MILLION IN 1976. BASED ON FIGURES
PROVIDED BY DEPARTMENT THERE WAS FIVE HUNDRED PERCENT INCREASE
IN VOLUME OF TRADE IN THOSE CATEGORIES OF EGYPTIAN EXPORTS
TO THE UNITED STATES ELIGIBLE FOR GSP BENEFITS. ROUGHLY FIFTY
PERCENT MORE GSP QUALIFIED CATEGORIES WERE EXPORTED IN 1976
THAN IN PREVIOUS YEAR. BULK OF THESE EXPORTS (ABOUT 88 PERCENT)
ENTERED THE U.S. WITH FULL GSP BENEFITS, INDICATING AN UNDER-
STANDING ON PART OF EGYPTIAN EXPORTERS OF VALUE OF SEEKING GSP
PREFERENCES. ALMOST ALL OF COMMODITIES ON U.S. GSP LIST THAT
ARE EXPORTED FROM EGYPT ARE PRODUCED BY PRIVATE SECTOR,
WHICH IS BECOMING INCREASINGLY ACTIVE AGAIN AFTER YEARS OF
QUISENCE. WE WOULD EXPECT THEREFORE THAT UPWARD TREND
WOULD CONTINUE IN SUCCEEDING YEARS. IT IS OUR IMPRESSION
THAT PRINCIPAL STIMULUS FOR INCREASE IN EXPORTS WAS
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AMERICAN IMPORTER INITIATIVES TO EGYPTIAN PRIVATE SECTOR
PRODUCERS, RATHER THAN THE REVERSE.

2. REGARDING POSSIBILITY FOR NEW INVESTMENT AND EXPANSION
INTO ADDITIONAL GSP CATEGORIES, FACT THAT IT IS PRIVATE
SECTOR WHICH PRODUCES MOST ELIGIBLE COMMODITIES WOULD INDICATE
THAT THERE WILL NOT BE GREAT EXPANSION IN NEAR TERM. GOE

HAS HAD STRUCTURAL DIFFICULTY IN FINDING FORMULA TO ESTIMULATE INCREASED PRODUCTION THROUGH PRIVATE INVESTMENT, BOTH FOREIGN AND DOMESTIC. GSP BENEFITS WILL NOT SIGNIFICANTLY ALTER PERCEPTION OF OTHER OBSTACLES, ALTHOUGH IT IS IN AREA OF EXPORT EXPANSION THAT GOE WOULD LIKE TO ENCOURAGE NEW INVESTMENT.

3. IN DISCUSSION PRIOR TO RECEIPT OF 1976 GSP TRADE FIGURES FOR EGYPT, MINTRADE OFFICIALS WERE GENERALLY PESSIMISTIC ABOUT PROSPECTS FOR GROWTH IN EXPORTS ELIGIBLE FOR GSP, PRIMARILY BECAUSE PRIVATE SECTOR IS PRINCIPAL PARTICIPANT, IS NOT AMENABLE TO DIRECT CONTROL AND IS NOT FOCUS OF GOE'S GREATEST CONCERNS. MINTRADE, AS REPRESENTATIVE OF PUBLIC SECTOR, WOULD OF COURSE LIKE TO SEE TARIFF AND TRADE OBSTACLES TO PUBLIC SECTOR EXPORTS, NAMELY COTTON TEXTILES, RELAXED. ACCORDING TO PRELIMINARY CENTRAL BANK DATA SHEETS, THEY SAID 1976 HAD WITNESSED FOURFOLD INCREASE IN EGYPTIAN EXPORTS TO U.S. (THEIR FIGURES DO NOT NECESSARILY AGREE WITH OURS) BUT THAT MOST OF THE INCREASE WAS IN NON-GSP CATEGORIES. (FYI : MINTRADE MENTIONED SHARP INCREASE IN SALE OF CRUDE PETROLEUM TO U.S. WE BELIEVE THIS MAY REFLECT RECORDING PURCHASE BY AMERICAN OIL COMPANIES OF EGYPTIAN CRUDE OIL, MOST OF WHICH IS NOT DESTINED FOR U.S. ITSELF. WE ARE STILL TRYING TO CLARIFY THIS MATTER. END FYI.)

4. MINTRADE OFFICIALS, WHO STILL MAINTAINED POSSESSION OF LARGE STACK OF GSP BROCHURES SENT TO THEM FOR DISTRIBUTION TO APPROPRIATE AGENCIES AT INCEPTION OF PROGRAM, ASKED IF THERE WERE ANY HELP EMBASSY MIGHT BE ABLE TO GIVE THEM IN DISSEMINATING UNCLASSIFIED

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INFORMATION ABOUT GSP. SPECIFICALLY, MINTRADE SAID THAT AS PART OF ITS OWN FIRST YEAR REVIEW, THEY HAD ASKED MININDUSTRY (WHICH SUPERVISES PUBLIC SECTOR PRODUCTION) TO IDENTIFY THOSE ITEMS ON GSP LIST WHICH ARE PRODUCED (IN PUBLIC SECTOR) IN EGYPT TO SEE IF THERE WERE POSSIBILITY FOR EXPANSION OF TRADE.

5. COMMENT. BECAUSE OF ALMOST EXCLUSIVE PRIVATE SECTOR INVOLVEMENT IN GOP BENEFITS WE DO NOT FIND SURPRISING FACT THAT MINTRADE HAS NOT MOVED VERY FAR OFF MARK IN PROMOTING GSP BENEFITS AVAILABLE TO POTENTIAL EXPORTERS. WE ARE TRYING TO OBTAIN INFORMATION FROM EXPORT CONTROL ORGANIZATION ON INDIVIDUAL EXPORTERS TO SEE IF THESE EXPORTERS HAVE ANY THOUGHTS ON GSP OPERATIONS AND IF THEY HAVE ANY PLANS FOR EXPANSION OF PRODUCTION FACILITIES.

6. MINTRADE ALSO TOLD US THAT IT WAS UNDERTAKING STUDY OF COMPARISON OF VARIOUS GSP BENEFITS AND WOULD LET US HAVE THEIR RESULTS WHEN COMPLETED. THEY NOTED HOWEVER THAT NO OTHER SYSTEM OFFERS COMPLETE REDUCTION IN TARIFFS, FOR

WHICH THEY EXPRESSED APPRECIATION.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO05946
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770122-0813
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770479/aaaacqqw.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 90cfc9a8-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 67507
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2871955
Secure: OPEN
Status: NATIVE
Subject: GSP: FIRST YEAR REVIEW
TAGS: ETRD, XX
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/90cfc9a8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009